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Editorial: Dems ignore best way to cut auto insurance costs

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State House and Senate Democrats proposed auto insurance reforms would likely require all Michigan drivers to share in the very high cost of coverage now paid in urban areas, especially Detroit. They are not the best way to reduce insurance rates.

The plan would give state regulators more authority to control insurance premium rates and limit the criteria they can use for setting rates, which is expected to drive up costs outside of major cities. This would penalize drivers who don't deserve it, but it wouldn't get at the biggest cost determiner: Our no-fault system includes the richest medical benefits in the country.

The push for this legislation also has to be questioned -- considering the other major issues lawmakers have before them -- when the Senate already has rejected similar measures in the past.

The proposals stem from a report by Michigan Insurance Consumer Advocate Melvin "Butch" Hollowell, who says Michiganians pay some of the nation's highest auto insurance premiums and that the state gives insurers a "blank check" to raise rates at will.

Hollowell and his boss, Gov. Jennifer Granholm, also claim it's unfair to include the vehicle owner's level of education, occupation and credit score among the criteria upon which auto insurance premiums are based.

But insurers have an actuarial basis for using credit scoring and the other factors Hollowell and Granholm criticize. And it's important to remember they're among an amalgam of criteria that include theft, crash and lawsuit rates where a vehicle owner drives most of the time.

Michigan's average auto insurance premium of \$1,067.74 is 12th highest in the country, according to the most recent ranking by the National Association of Insurance Commissioners.

That's not so bad considering that our laws require auto insurers to cover all reasonable charges for lifetime medical care to accident victims, as well as three years worth of lost wages. Other states allow as little as \$50,000 in personal-injury protection.

The Insurance Institute of Michigan, an insurance trade association, says requiring less personal injury coverage would do more to lower rates than the Democrats' proposals. That lower-cost option would be especially helpful in Detroit or other urban areas where high crash and theft rates make auto ownership riskier, driving up the cost of insurance. Premiums would drop 15 to 45 percent, depending on levels of optional coverage.

Other industry suggestions include workers compensation-like limits on medical charges for accident injury care and a state authority to combat insurance theft and fraud.

If lawmakers consider a rewrite of the state's auto insurance laws to be crucial, these ideas deserve consideration.